

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
TRSE-00 AID-05 EB-08 OMB-01 /080 W
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P R 191649Z APR 78
FM AMEMBASSY LISBON
TO SECSTATE WASHDC PRIORITY 5500
INFO COMUSFORAZ
AMCONSUL OPORTO
AMCONSUL PONTA DELGADA

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 2983

E.O. 11652: XGDS-3
TAGS: MARR PO
SUBJECT: CONVERSATION WITH FOREIGN MINISTER ON LAJES

REF: LISBON 2880

SUMMARY: ACCORDING TO THE FOREIGN MINISTER, THE AZOREANS HAVE RAISED A NUMBER OF QUESTIONS REGARDING THE U.S. PROGRAMS, OTHER THAN THOSE COVERED BY THE BASIC GRANT QUID, WHICH WERE SET FORTH BY WAY OF ILLUSTRATION IN THE ANNEX TO THE EMBASSY'S NON-PAPER OF LAST OCTOBER, E.G., PL-480 COUNTERPART. WHEN I CLARIFIED FOR HIM THE DIFFERENCE BETWEEN THE QUID AND THESE PROGRAMS, THE FOREIGN MINISTER EXPRESSED HIS DETERMINATION TO PUSH THE AZOREANS TO FOCUS EXCLUSIVELY ON THE QUID AS A PRE-CONDITION FOR PRESENTING THE U.S. WITH A GOP POSITION AND TO WORK OUT OTHER BENEFITS FROM THE CENTRAL GOVERNMENT SEPARATELY. HE LIKES THE IDEA OF PRESIDENT EANES SIGNING THE NEW AGREEMENT DURING HIS VISIT TO THE NATO SUMMIT IN WASHINGTON. END SUMMARY.

1. I OPENED MY APRIL 18 CONVERSATION WITH THE FOREIGN MINISTER BY SAYING THAT THE REASON I HAD BEEN RAISING THE
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URGENCY OF REACHING AGREEMENT ON LAJES SO PERSISTENTLY AND WITH SO MANY HIGH GOP OFFICIALS SINCE MY ARRIVAL WAS THAT, IN SPITE OF THE FACT THAT THERE WERE NO OBSTACLES TO OUR CONTINUED USE OF THE BASE EVEN IN THE ABSENCE OF AN AGREEMENT, RENEWAL WOULD BE AN IMPORTANT SYMBOL OF PORTUGUESE-AMERICAN FRIENDSHIP AND THEREFORE HIGHLY SIGNIFICANT IN THE TOTAL CONTEXT OF OUR RELATIONS. THE MINISTER AGREED. I TOLD

HIM THE REASON I HAD ASKED FOR THIS MEETING WAS MY DISAPPOINTMENT OVER THE RESULTS OF THE LAST SESSION OF THE INTERMINISTERIAL COMMITTEE ON LAJES, AS REPORTED TO US BY VILLAS BOAS (REFTEL). ON THE OTHER HAND I HAD BEEN PLEASANTLY SURPRISED BY THE STATEMENTS BY MOTA AMARAL AS WELL AS BY THE FOREIGN MINISTER AFTER THEIR MEETING THE PREVIOUS DAY. (MOTA AMARAL HAD EMERGED FROM A MEETING WITH THE FOREIGN MINISTER SAYING THAT HE EXPECTED PROGRESS ON THE RENEWAL AGREEMENT TO BE RAPID, WITH SIGNATURE IN "JUNE OR JULY" AND THE FOREIGN MINISTER WAS QUOTED AS HAVING SAID THAT HE HOPED TO BE ABLE TO COMPLETE THE AGREEMENT EVEN SOONER, I.E., IN MAY.) I SAID THAT I WAS FRANKLY PUZZLED BY THE APPARENT INCONGRUITY BETWEEN THESE STATEMENTS AND THE LACK OF PROGRESS IN THE COMMITTEE.

2. THE MINISTER REPLIED THAT HE HAD ALSO BEEN DISAPPOINTED BY THE OUTCOME OF THE MOST RECENT SESSION OF THE INTERMINISTERIAL COMMITTEE. HE SAID THE AZOREANS HAD TABLED A NUMBER OF QUESTIONS REGARDING THE ECONOMIC BENEFITS THAT MIGHT GO TO THE AZORES THROUGH U.S. PROGRAMS OTHER THAN THE ECONOMIC PORTION OF THE GRANT QUID. THESE QUESTIONS REFERRED TO THE ILLUSTRATIVE LIST OF PROJECTS AND POSSIBLE SOURCES OF FINANCING, SUCH AS PL-480 COUNTERPART AND EXIMBANK CREDITS, WHICH WERE CONTAINED IN THE ANNEX TO THE U.S. NON-PAPER OF LAST OCTOBER. I TOLD THE FOREIGN MINISTER THAT THIS ANNEX WAS FOR ILLUSTRATIVE PURPOSES ONLY, AND HAD BEEN SUPPLIED TO DEMONSTRATE TO THE CENTRAL GOVERNMENT

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HOW IT MIGHT MEET AZOREAN ASPIRATIONS FOR LARGER AMOUNTS OF INVESTMENT THAN COULD BE FINANCED FROM THE ECONOMIC PART OF THE QUID. I ALSO POINTED OUT THAT OUR PAPER HAD EXPLICITLY STATED THAT PL-480 AND EXIMBANK CREDITS COULD NOT BE NEGOTIATED AS PART OF THE QUID ITSELF. AFTER SOME DISCUSSION IT BECAME CLEAR THAT THE INTERMINISTERIAL GROUP HAD NOT PREVIOUSLY UNDERSTOOD THIS DISTINCTION. THE MINISTER THEREFORE WILL TAKE THE POSITION WITH THE AZOREANS THAT REACHING AGREEMENT ON SPECIFIC PROJECTS AND THEIR SOURCES OF FINANCING IS BEYOND THE SCOPE OF THE INTERMINISTERIAL COMMITTEE, WHICH SHOULD FOCUS EXCLUSIVELY ON THE SIZE OF THE GRANT QUID ITSELF AND ITS DIVISION AS BETWEEN MILITARY AND CIVILIAN USES. DECISIONS REGARDING THE USE OF PL-480 COUNTERPART, EXIM CREDITS AND THE LIKE IN THE AZORES SHOULD BE WORKED OUT BETWEEN THE REGIONAL GOVERNMENT AND THE MINISTRY OF FINANCE AND PLANNING SEPARATELY, AND SHOULD NOT HOLD UP THE PRESENTATION OF A UNIFIED GOP POSITION TO THE U.S. HE INSTRUCTED VILLAS BOAS TO SO INFORM THE AZOREANS IMMEDIATELY, TO WORK OUT A SCHEDULE OF FUTURE WORK OF THE INTERMINISTERIAL COMMITTEE BEFORE THE MINISTER AND VILLAS BOAS DEPART ON A TRIP TO BRUSSELS AT THE END OF THIS WEEK, AND TO KEEP US INFORMED.

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C O N F I D E N T I A L SECTION 2 OF 2 LISBON 2983

3. THE MINISTER THEN ASKED ME POINTBLANK IF THERE WAS AN FLEXIBILITY ON THE AMERICAN SIDE WITH REGARD TO THE SIZE OF THE QUID. I TOLD HIM THAT I THOUGHT THERE WAS SOME FLEXIBILITY IN OUR POSITION BUT IT WAS NOT GREAT AND THAT SOME OF THE FIGURES THAT I HAD HEARD AS HAVING BEEN MENTIONED BY THE AZOREANS (100 MILLION DOLLARS FOR THE ECONOMIC PORTION) WERE COMPLETELY UNREALISTIC. I SAID THAT I THOUGHT THAT I MIGHT BE ABLE TO OBTAIN WASHINGTON AGREEMENT FOR A SMALL INCREASE IN THE QUID IF THAT IS WHAT IT WOULD TAKE TO PUT THE AGREEMENT OVER QUICKLY. THE MINISTER SAID THAT HE UNDERSTOOD THAT ANY INCREASE WOULD HAVE TO BE MODEST, BUT THAT IT WOULD BE IMPORTANT FOR THE CENTRAL GOVERNMENT TO BE ABLE TO DEMONSTRATE TO THE AZOREANS THAT IT HAD "NEGOTIATED" WITH THE AMERICANS.

4. I THEN RAISED WITH THE FOREIGN MINISTER MY SURPRISE THAT THE MILITARY REPRESENTATIVE ON THE COMMITTEE HAD ONCE AGAIN RAISED THE OLD PROBLEM OF INFRASTRUCTURE VS. EQUIPMENT. I SAID THAT THIS BOTHERED ME INASMUCH AS IT IMPLIED THAT THE MILITARY HAD NOT GOTTEN VERY FAR ON THEIR OWN PLANNING FOR THE USE OF THE MILITARY PORTION. HE SAID THAT THE MILITARY SIMPLY WANTED TO RECONFIRM THE AMERICAN POSITION
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ON THIS ISSUE AND THAT IF WE COULD GIVE HIM A NEGATIVE RESPONSE QUICKLY HE THOUGHT THAT HE COULD LAY THE MATTER TO REST ONCE AND FOR ALL. HE THEN ASKED IF THE U.S. WAS FIRM ON A 50-50 SPLIT OF THE QUID BETWEEN MILITARY AND CIVILIAN USES. I TOLD HIM THAT I WAS SURE THAT WE WERE IN FACT FAIRLY INDIFFERENT ABOUT THE SPLIT AND THAT THE 50-50 WAS ONLY A SUGGESTION ON OUR PART.

5. THE MINISTER SAID THAT HE WAS STILL DETERMINED TO PUSH THE MATTER TO A CONCLUSION PROMPTLY AND THAT HE LIKED THE IDEA OF PRESIDENT EANES SIGNING THE AGREEMENT DURING HIS VISIT TO WASHINGTON AT THE END OF MAY.

6. COMMENT: WHILE THIS CONVERSATION WAS ENCOURAGING, IT REMAINS TO BE SEEN WHETHER LISBON CAN CONVINCE THE AZOREANS THAT THEY SHOULD NOT MAKE AGREEMENT WITH THE CENTRAL GOVERNMENT ON OTHER ASSISTANCE A CONDITION PRECEDENT FOR ASSENTING TO THE RENEWAL OF THE LAJES AGREEMENT. THE AZOREANS MAY WELL BELIEVE THAT THEY CAN USE LAJES AS LEVERAGE TO EXTRACT FROM THE CENTRAL GOVERNMENT CONCESSIONS OVER AND ABOVE THOSE CONTAINED IN THE ECONOMIC PORTION OF THE GRANT QUID. IN ANY CASE, I INTEND TO KEEP UP THE PRESSURE.
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